British Columbia Innovation Council

2014/15
ANNUAL SERVICE PLAN REPORT

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Board Chair's Message and Accountability Statement

British Columbia's Innovation Council ("BCIC") is the province's lead agency promoting the development and application of advanced or innovative technologies to meet the needs of industry in BC. Our mission is to build BC's economy by accelerating the growth of BC ventures through the support of entrepreneurs and technology startup companies.

BCIC remained in a strong financial position in 2014/15 with continued annual funding from the Ministry of Technology, Innovation and Citizen's Services, and also celebrated its tenth anniversary. This fiscal year, $11.6 million went to support programs that reached throughout BC to strengthen technology integration with the economy. To maximize the outcome of every dollar of funding, BCIC continued to form partnerships and emphasize leveraged funding. Highlights for 2014/15 include:

- BCIC directly engaged 273 companies through its Venture Acceleration Program that assisted in adding 365 full-time jobs, generating $18 million in revenue and attracting $35 million in new investment. In addition, BCIC helped deliver 410 events, engaging over 14 thousand people.
- Regional partners from around the province deliver the Venture Acceleration Program, forming the BC Acceleration Network. The reach of this network continued to increase in 2014/15. With three new partnerships being formed, this network grew to 13 partners. This included the launch of an agriculture-focused accelerator and the successful pilot of a virtual engagement model, where entrepreneurs in remote places can gain access to an online version of the program.
- The BC Innovator Skills Initiative pilot program connected 53 students from 14 post-secondary institutions with technology startups. Students received skills training and practical experience in innovation, business, commercialization, and entrepreneurship. About half of the companies hired their student.
- For the first time, BCIC reached out and partnered with the broader business community to deliver the 'Leapfrogging Innovation to Business Revolution' forum. The feature presentation with Colonel Chris Hadfield inspired the 400-plus attendees to consider how they can harness the power of innovation and technology to drive business results.
- BCIC focused on further developing its cross-sector strategy. This strategy supports efforts in commercializing technology for the eight key industry sectors identified in the BC Jobs Plan that represent the areas in which BC has a competitive advantage. Cleantech, across BC's natural resource industries, has been the initial focus.

In 2014/15, BCIC's board and staff adopted the Taxpayer Accountability Principles. BCIC has undertaken comprehensive and appropriate orientation for board members and the executive team.

The *British Columbia Innovation Council 2014/15 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2014/15 - 2016/17 Service Plan.* I am accountable for those results as reported.

Derek Lew, Board Chair
BC Innovation Council

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Purpose of the Organization

The British Columbia Innovation Council is a Crown agency established under the *British Columbia Innovation Council Act*.

BCIC is the province's lead organization with a mandate to encourage commercialization of technology in BC. This mandate is fulfilled by providing focused support to startup companies and facilitating partnerships between industry and academia. BCIC works with willing partners in industry, academia, government and associations that support entrepreneurship and the development of entrepreneurial talent. BCIC's programs focus on economic sectors in which BC has a competitive advantage.

Helping entrepreneurs get new and innovative products into the local and global marketplace enhances BC's competitiveness and provides high quality jobs for British Columbians. New companies and ventures are the engine of job creation.

Strategic Direction and Context

Strategic Direction

The 2014/15 Government Letter of Expectations required BCIC and government to work in partnership to continue to advance commercialization in BC. The government directed BCIC to undertake the following specific actions:

- Adhere to the Board Resourcing and Development Office policies and best practices.
- Refine and implement outcome-based metrics including measures of job creation and investment.
- Build and maintain partnerships and diversify programming in order to strengthen entrepreneurship development in the BC Jobs Plan's priority sectors and to support regional expansion.
- Align with the BC Technology Strategy which recognizes that technology enables growth in all sectors.

In addition, BCIC was directed to adhere to the Taxpayer Accountability Principles Addendum and deliver against its action items.

Strategic Context

Following recommendations from the 2011 review of BCIC's mandate, BCIC has divested itself of all non-core responsibilities. In 2014/15, BCIC continued to focus on program delivery, ensuring programs were effective and meeting the needs of companies involved with technology and innovation.

Technology and innovation is a critical driver of success for the provincial economy. BCIC's continued work to support the integration of technology into the economy and across all sectors supports not only the development of new technology, but also the adoption of existing technology to increase competitiveness.

BC continued to experience an influx of technology giants, with Microsoft and Amazon both setting up in the province, alongside other multi-nationals like Facebook, Ericsson, IBM, Intel, Samsung, and Cisco. With this influx, skilled talent is being pulled away from the

startup community. BCIC delivered new programs in 2014/15 to improve this situation through student-focused talent and entrepreneurial skills development.

A stable operating environment and continued leadership in the technology community, including expanded outreach outside the sector, enabled BCIC to effectively deliver expanded programs in 2014/15. Potential risks identified in the 2014/15 Service Plan were managed under mitigation strategies.

Report on Performance

In 2014/15, BCIC continued to work in partnership with government on the full implementation of the actions items in the Government Letter of Expectations, including:

Government Letter of Expectations	BCIC Alignment
Adhere to the Board Resourcing and Development Office policies and best practices.	BCIC continued to ensure consistency with the Board Resourcing and Development Office policies and best practices.
Refine and implement outcome-based metrics including measures of job creation and investment.	Measures used by BCIC in 2014/15 continue to measure aspects of participating companies' ability to progress toward job creation and investment. In addition, in 2014/15 BCIC began conversations with an external consultancy firm that specializes in conducting economic impact studies.
Build and maintain partnerships and diversify programming in order to strengthen entrepreneurship development in the BC Jobs Plan's priority sectors and to support regional expansion.	In 2014/15 BCIC continued to maintain and build partnerships and diversify programming: • The BC Acceleration Network increased its reach with three new partnerships, including an accelerator focused on developing technological solutions for the agricultural sector and the successful pilot of an online engagement model. • BCIC piloted the Innovator Skills Initiative. This program matched students from post-secondary institutions with technology startups so that they would receive skills training and practical experience in innovation, business, commercialization, and entrepreneurship.
Align with the BC Technology Strategy which recognizes that technology enables growth in all sectors.	BCIC activities are aligned with the actions outlined in the BC Technology Strategy. Specifically, BCIC: • Provided commercialization and entrepreneurship support through BCIC's entrepreneurship@ and venture acceleration programs. • Facilitated the expansion and ongoing development of regional innovation networks, including the BC Acceleration Network. • Focused on offering opportunities for students to gain hands-on experience in a startup environment. • Increased focus on driving commercialization of technologies that will support priority industries in which BC has a competitive advantage.

In addition, BCIC has begun implementing the Taxpayer Accountability Principles introduced in 2014. BCIC has undertaken comprehensive and appropriate communication, orientation and training on these principles, the accountability framework, and roles and expectations for board members and the executive team. Moving forward, BCIC intends for its Board Chair and Minister to meet annually and the CEO and Deputy Minister to meet biannually to discuss performance against the Taxpayer Accountability Principles, outcomes, and strategic decision making. BCIC has been working with the Ministry on the following in

2014/15 and will see these items to completion in 2015/16:

- Develop an evaluation plan with specific efficiency and performance measures as determinants of the organization's health and performance, against the Taxpayer Accountability Principles.
- Work with Deputy Minister to develop a strategic engagement plan to demonstrate accountability for outcomes and measurements identified by the Minister.

Goals, Strategies, Measures and Targets

Three goals guide our actions:

1. Commercializing innovative technology.
2. Developing and enhancing entrepreneurial skills.
3. Focusing resources on entrepreneurs who will build their companies in BC.

Together these goals provide a strong foundation for meeting our legislated mandate and supporting government's priorities. These goals support job creation and increased investment in the technology sector in BC. Technology is identified as one of eight key sectors in the provincial economy by the BC Jobs Plan. Each goal is supported by strategies, performance measures and targets.

Goal 1: Commercializing Innovative Technology.

Commercialization is an entrepreneurial activity that takes a technology or intellectual property and creates a business around it. The net result will be a more vibrant economy and more high quality jobs for British Columbians.

Strategies

- Build a network of venture acceleration programs to increase the success rate of early-stage companies.
- Implement programs to support entrepreneurial talent development at BC's universities and colleges.
- Sponsor and promote conferences, competitions and events that expand the number of entrepreneurs and new business opportunities across BC.

Performance Measure 1: Patent-Protected Innovations and Trade Secrets.

Performance Measure	2013/14 Actual[1]	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
The percentage of ventures in BCIC-funded programs with patent protection for their innovations or a structured approach to maintaining trade secrecy.	42%	30%	45%	30%	35%

Data Source: Progress reports from program partners.

[1] 2013/14 was the first year this performance measure was tracked.

Discussion

Patents and trade secrets demonstrate the innovative nature of a startup's technology and are an effective way of shielding intellectual property. A product based on a novel technology tends to have a stronger chance of competing against established players because it can offer

differentiated value to customers. Companies with patented intellectual property are better able to defend their innovation when they become successful in the market. By encouraging the use of patents and trade secrets, BCIC's programs improve the growth rate and survivability of small and medium-sized businesses located in BC.

The 30% target represents a goal to achieve a high level of patent protection or trade secrets, where applicable. Not all entrepreneurs need to secure such protection. Some ventures may still be at the early idea stage and not yet ready to file a patent. Other ventures in the information and communication technology field (including digital media and software as a service) often do not file patent protection or register trade secrets because copyright already exists for their source code. In 2014/15, about 40% of companies in BCIC funded programs were in the information and communication technology field.

45% of ventures in BCIC-funded programs have protected their intellectual property or taken steps to protect a trade secret in 2014/15. This significantly surpasses its target. Higher levels of patent/trade secret protection appears due to a more diversified mix of startups (who are not in the information and communication technology field) and strong initiative coming from the young entrepreneurs at entrepreneurship@UBC.

With two years of actual results exceeding the 30% target, BCIC will continue to monitor the mix of ventures served by BCIC funded programs to understand whether targets should be adjusted based on the proportion of early-stage startups and information and communication technology companies.

Goal 2: Developing and Enhancing Entrepreneurial Skills.

BCIC works with its program partners to build stronger entrepreneurs by helping them develop and enhance their entrepreneurial skills. This increases the chance that a startup will grow and succeed, create jobs and attract investment to BC.

Strategies

- Provide relevant training to support early-stage entrepreneurs to commercialize concepts.
- Partner with educational institutions and industry organizations to provide relevant knowledge and training for emerging entrepreneurs.

Performance Measure 2.1: Health Score of Ventures in BC Acceleration Network

Performance Measure	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
The overall level to which BCIC clients have a solid business foundation for the success of their companies.[1]	56	60	56	65	70

Data Source: Progress reports from program partners.

[1] See Appendix B for the calculation of the BCIC Startup Health Score.

Discussion

To create jobs in BC, it is essential that startup companies progress from early-stage ventures to larger mature companies with job opportunities. The BCIC health score reflects the level

to which startup companies in BCIC-funded programs are on track to progress into companies that will experience job growth. The measure is designed so that the higher a venture's health score, the greater its likelihood of commercial success.

BCIC has selected elements to consider when evaluating the strength of a startup and assigned weighting based on observed correlation of these particular factors with company viability. A strong score indicates a venture is on track to progress. The BCIC Startup Health Score is derived from the average score of all ventures in BCIC accelerator programs. Early stage companies are categorized into five different stages of progress. Factors considered in a startup's health score are different for each stage and weighted depending on stage. These factors are:

- Customer-validated product-market fit;
- Customer-validated business model;
- Meeting agreed-upon critical milestones;
- Has enough cash to meet growth objectives;
- Repeat Entrepreneurs (who have the benefit of experience);
- Venture's IP is protected (normally by patents);
- Increase in new customers;
- Increase in revenue;
- Mix and number of employees;
- Positive cash flow status per transaction; and
- Profitability status of company.

For a full description of scoring methodology, refer to Appendix B.

A large number of ventures in the BC Acceleration Network have a health score close to the target of 60 or higher, suggesting they are expected to be on track. Most low-scoring ventures are early stage companies. It is typical for early stage ventures to need to pivot in order to be more successful. Such pivots would temporarily set the companies back somewhat, but overall increases their likelihood of commercialization in the longer-term.

Performance Measure 2.2: Participant Evaluation of the Effectiveness of BCIC's Programs and Services.

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
The percentage of participants who confirm BCIC's programs have a high value impact in advancing their technology venture.[1]	94%	82%	88%	90%	92%	90%	90%

Data Source: Progress reports from program partners.

[1] This measure is based on sample surveys where high impact value is defined as a value of 7 or more on a 10-point evaluation scale.

Discussion
Confirmation from entrepreneurs that BCIC-funded programs enable their ventures to progress adds further perspective to the impact of these programs. BCIC's goal is to support programs that provide high value to technology entrepreneurs, equipping them with the knowledge and tools to advance their technologies. Evaluation results enable us to assess how well we are delivering this. Reports from the participants in BCIC-supported programs and services help to shape, refine and improve our offerings and position BCIC as an integral component to the growth and success of our client companies.

More than 90% of entrepreneurs across the province agree that BCIC-funded programs are delivering high value impact in advancing their technology venture and/or personal development as an entrepreneur. This is an improvement upon 2013/14 levels and meets the target set for the year. In upcoming years, BCIC looks forward to delivering continued high impact to the vast majority of the entrepreneurs it touches upon.

Goal 3: Focusing Resources on Entrepreneurs who will Build their Companies in B.C.

BCIC invests in opportunities for startup companies who will build their companies and create opportunities in our province.

Strategies

- Work with program partners to focus program resources on entrepreneurs who can achieve early customer acquisition while maintaining base operations in BC.

Performance Measure 3: Entrepreneurs who can Build a Successful Venture Based in B.C.

Performance Measure	2013/14 Actual[2]	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
The percentage of participants in BCIC-funded programs who are assessed as being able to be successful in their venture without needing to leave BC to do so.[1]	99%	90%	87%	90%	90%

Data Source: Progress reports from program partners.
[1] This measure is based on the experience and knowledge of executives-in-residence and mentors who evaluate the opportunities they are supporting.
[2] 2013/14 was the first year this performance measure was tracked.

Discussion
Entrepreneurs with early-stage innovation concepts and business ventures are highly mobile. For many, it is tempting to move to locations outside BC to be near their key customers, suppliers or financiers. Of the three prime relationships, the most compelling is that with customers, who are the ultimate source of value in an entrepreneurial venture. BCIC assesses the likelihood that a venture will stay in BC to avoid committing taxpayer resources to ventures that are destined to create jobs elsewhere.

As a result of effective assessment during in-take sessions, the vast majority (almost 90%) of ventures supported by BCIC-funded programs are expected to be successful without needing to leave BC.

Some BCIC-funded programs are aimed to cultivate entrepreneurs among the student population. Given the importance of equipping the next cohort of potential entrepreneurs with the right skills, such student-focused programs may accept ideas/ventures even if they do not appear destined to be successful in BC. As a result, BCIC does not expect all ventures to carry potential in BC.

Financial Report

Management Discussion and Analysis

BCIC's core operations and activities are funded by the Province through the Ministry of Technology, Innovation and Citizens' Services. With these funds, BCIC will continue to leverage partnerships across the province to develop and deliver programs that meet its mandate. To deliver the best returns on investments, BCIC's partners are encouraged to leverage government funding to gain additional sources of revenue.

Assessment of Changes in Results and Reasons for Significant Variances and Trends

In 2014/15, BCIC received $8 million from the province, $6 million as per the original budget and an additional $2 million to go towards specific commercialization initiatives. Annual total funding is expected to return to $6 million for 2015/16 and 2016/17.

Overall, $11.6 million of provincial funding and university endowment funding went to support programs and initiatives that drive commercialization, research and the development of entrepreneurial skills. BCIC put significantly more funds behind its programs and initiatives compared to the year before and versus original budgets. In particular, opportunities were identified to invest $5 million in deferred program revenues to build scholarship funds, develop research chairs, and support natural resource commercialization initiatives.

In 2014/15, BCIC increased its efforts enhancing technology's integration across sectors by hiring an Entrepreneur-in-Residence with extensive experience building companies and relationships from the ground up. Salaries and benefits were also higher in 2014/15 to cover the additional expense of two maternity leaves.

This fiscal year BCIC moved into a new office space and committed to a long-term lease to January 2020. As part of this commitment, BCIC received three months of rent for free. Thus, rent was lower than budgeted and compared to the previous year. As part of the new office space and associated renovations, capital expenditures were higher than planned and compared to the previous year.

Major Risks and Opportunities that Affected Financial Performance

BCIC's operations are primarily funded by annual funding from the Province and any changes to the level of annual provincial funding will have significant impact on BCIC's operations. Strategies to mitigate this risk include ongoing communications with BCIC's existing and potential funding sources, in order to build awareness of the level of support required. In addition, BCIC explores the development and implementation of programs and initiatives that are either self-supporting or leveraged with other revenue generating sources.

A summary of the BC Innovation Council's financial results is presented below.

Financial Resource Summary Table

$ thousands	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Budget	2014/15 Actual	2014/15 Variance	2013/14-2014/15 Variance	2015/16 Budget	2016/17 Budget
Revenues											
Province of British Columbia	8,500	8,500	9,650	6,150	6,090	6,090	8,090	2,000	2,000	6,090	6,090
Internal Program Funding (1)	2,195	29	-	171	2,372	-	5,154	5,154	2,782	-	-
NRAS Endowment (2)	2,109	1,919	568	3	10	1,000	-	(1,000)	(10)	1,000	1,000
Interest and Other	275	329	124	291	154	125	212	87	58	125	125
Total Revenues	13,079	10,777	10,342	6,615	8,626	7,215	13,456	6,241	4,830	7,215	7,215
Expenses											
Programs and Initiatives	7,943	6,349	7,430	4,956	6,840	4,243	11,619	7,376	4,779	4,243	4,243
NRAS Endowment (2)	2,109	1,919	568	3	10	1,000	-	(1,000)	(10)	1,000	1,000
Salaries and Benefits	1,915	1,590	1,392	1,027	1,125	1,384	1,347	(37)	222	1,384	1,384
Rent (3)	254	274	418	223	229	297	173	(124)	(56)	297	297
Amortization	74	62	48	41	34	33	38	5	4	33	33
Other operating costs (4)	784	583	485	364	387	258	278	20	(109)	258	258
Total Expenses	13,079	10,777	10,341	6,614	8,625	7,215	13,455	6,240	4,830	7,215	7,215
Annual Surplus	0	0	1	1	1	-	1	1		0	0
Accumulated Surplus	56,450	56,450	56,450	56,451	56,452	56,452	56,453	1	1	56,453	56,453
Funds Committed to Future Programs (5)	11,513	11,561	11,653	22,180	20,264	20,264	15,712	(4,552)	(4,552)	15,712	15,712
Capital Expenditures	78	14	13	36	27	50	147	97	120	50	50
Total Debt	0	0	0	0	0	0	0	0	-	0	0

Notes:

(1) Internal Program Funding is drawn from unrestricted assets and deferred program revenues.

(2) NRAS program revenues and expenses are included in the financial chart above.

(3) In 2014/15, BCIC committed to a long-term lease to January 2020. As part of this new lease, BCIC received three free months of rent.

(4) Other operating costs include legal and contracted services, meeting, travel & networking and office expenses.

(5) The balance of Funds Committed to Future Programs includes unrestricted assets and deferred revenue balances. Year-to-year changes include Annual Surplus (Deficit), changes to tangible capital assets and deferred revenues as detailed in note 4 and note 6 of the audited financial statements

(6) The above financial information, including forecast information, was prepared based on current Public Sector Accounting Standards.

Natural and Applied Sciences Endowment Fund

$ thousands	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Budget	2014/15 Actual	2014/15 Variance	2013/14-2014/15 Variance	2015/16 Budget	2016/17 Budget
NRAS Endowment Fund	50,000	50,000	50,000	50,000	50,000	50,000	50,000	-	-	50,000	50,000
Interest Accumulated, Begin of the year	3,031	1,209	76	502	1,461	2,426	2,426	-	965	3,360	3,360
Annual investment income	287	786	994	962	975	1,000	957	(43)	(18)	1,000	1,000
Program expenditures	(2,000)	(1,800)	(560)	-	-	(1,000)	-	1,000	-	(1,000)	(1,000)
Administration and professional fees	(109)	(119)	(8)	(3)	(10)	-	(23)	(23)	(13)	-	-
Interest Accumulated, End of the year	1,209	76	502	1,461	2,426	2,426	3,360	934	934	3,360	3,360

In the 2005/06 fiscal year, BCIC was charged with stewarding $50 million from the Province of British Columbia for the Natural Resources and Applied Sciences (NRAS) Research Endowment Fund. As an endowment, it is expected that the capital will be preserved and only the interest earnings will be spent on program activities. In 2014/15, BCIC retained all interest earnings. Once sufficient interest earnings have accumulated and a suitable program has been identified, these earnings will be spent.

Financial Statements of

BRITISH COLUMBIA INNOVATION COUNCIL

Year ended March 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Minister of Technology, Innovation and Citizens' Services of British Columbia

We have audited the accompanying financial statements of British Columbia Innovation Council, which comprise the statement of financial position as at March 31, 2015, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the British Columbia Innovation Council as at March 31, 2015 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

May 13, 2015

Burnaby, Canada

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KPMG Canada provides services to KPMG LLP.

BRITISH COLUMBIA INNOVATION COUNCIL

Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
Financial Assets		
Cash and cash equivalents:		
Unrestricted	$ 86,324	$ 169,253
Restricted – deferred programs (note 6)	6,665	258,484
Restricted- NRAS endowment (note 7)		1,821
Investments:		
Unrestricted (note 3)	6,157,654	6,405,737
Restricted – deferred programs (notes 3 and 6)	9,468,859	13,663,059
Restricted- NRAS endowment (notes 3 and 7)	3,359,623	2,424,305
Accounts receivable	46,128	15,792
	19,125,253	22,938,451
Liabilities		
Accounts payable and accrued liabilities	104,716	280,137
Deferred program revenues (note 6)	9,475,524	13,921,543
Deferred revenue from NRAS endowment (note 7)	3,359,623	2,426,126
	12,939,863	16,627,806
Net Financial Assets	6,185,390	6,310,645
Non-Financial Assets		
Restricted- NRAS endowment:		
Investments (notes 3 and 7)	50,000,000	50,000,000
	50,000,000	50,000,000
Tangible capital assets (note 4)	217,206	108,712
Prepaid expenses	50,197	32,200
	50,267,403	50,140,912
Accumulated surplus (note 5)	$ 56,452,793	$ 56,451,557

Commitments and contingencies (note 8)
Contractual obligations (note 9)
Employee future benefits (note 10)

Approved on behalf of the Board:

Director

Director

See accompanying notes to financial statements.

BRITISH COLUMBIA INNOVATION COUNCIL

Statement of Operations and Accumulated Surplus

Year ended March 31, 2015, with comparative information for 2014

	Budget 2015 (note 2(e))	2015	2014
Revenue:			
Grants from the Province of British Columbia	$ 6,090,000	$ 8,090,000	$ 6,090,000
Program revenue (note 6)	-	5,153,806	2,371,960
Other	-	53,049	-
Interest	125,000	159,611	154,055
NRAS endowment	1,000,000	-	10,456
	7,215,000	13,456,466	8,626,471
Expenses (note 13):			
Program expenses and disbursements:			
Academic	350,000	2,322,600	2,379,334
Commercialization	3,795,000	9,181,695	4,248,248
NRAS endowment	1,000,000	-	10,456
Premier's Technology Council	425,000	315,402	291,637
Technology Awareness	200,000	251,202	322,367
General administration (note 12)	1,445,000	1,384,331	1,373,088
	7,215,000	13,455,230	8,625,130
Annual surplus	-	1,236	1,341
Accumulated surplus, beginning of year	56,451,557	56,451,557	56,450,216
Accumulated surplus, end of year	$ 56,451,557	$ 56,452,793	$ 56,451,557

See accompanying notes to financial statements.

BRITISH COLUMBIA INNOVATION COUNCIL

Statement of Changes in Net Financial Assets

Year ended March 31, 2015, with comparative information for 2014

	Budget 2015 (note 2(e))	2015	2014
Annual surplus	$ -	$ 1,236	$ 1,341
Acquisition of tangible capital assets	(50,000)	(146,990)	(27,377)
Amortization of tangible capital assets	40,000	38,496	33,628
Disposition of tangible capital assets	-	-	5,713
Accumulated amortization of disposition	-	-	(952)
	(10,000)	(107,258)	12,353
Acquisition of prepaid expenses	-	(100,588)	(72,955)
Use of prepaid expenses	-	82,591	79,344
	-	(17,997)	6,389
Change in net financial assets	(10,000)	(125,255)	18,742
Net financial assets, beginning of year	6,310,645	6,310,645	6,291,903
Net financial assets, end of year	$ 6,300,645	$ 6,185,390	$ 6,310,645

See accompanying notes to financial statements.

BRITISH COLUMBIA INNOVATION COUNCIL

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating:		
Annual surplus	$ 1,236	$ 1,341
Items not involving cash:		
Amortization of tangible capital assets	38,496	33,628
Loss on disposition of tangible capital assets	-	3,734
Changes in non-cash operating working capital:		
Accounts receivable	(30,336)	32,693
Prepaid expenses	(17,997)	6,389
Accounts payable and accrued liabilities	(175,421)	(118,404)
Deferred program revenues	(4,446,019)	(1,928,177)
	(4,630,041)	(1,968,796)
Capital:		
Purchase of tangible capital assets	(146,990)	(27,377)
Disposition of tangible capital assets	-	1,027
	(146,990)	(26,350)
Investments:		
Purchase of investments	(151,458,180)	(89,781,107)
Proceeds on maturity of investments	154,965,145	64,434,303
Increase in deferred revenue from NRAS endowment	933,497	965,459
	4,440,462	(24,381,345)
Decrease in cash & cash equivalents	(336,569)	(26,376,491)
Cash & cash equivalents, beginning of year	429,558	26,806,049
Cash & cash equivalents, end of year	$ 92,989	$ 429,558
Cash & cash equivalents are comprised of:		
Financial assets:		
Unrestricted	$ 86,324	$ 169,253
Restricted – deferred programs	6,665	258,484
Restricted – NRAS endowment	-	1,821
Cash & cash equivalents, end of year	$ 92,989	$ 429,558

See accompanying notes to financial statements.

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements

Year ended March 31, 2015, with comparative information for 2014

1. Authority and purpose:

British Columbia Innovation Council (the "Council"), was established in 2006 by an amendment of the Innovation and Science Council Act to the British Columbia Innovation Council Act (the "Act").

The Council is governed by a Board of Directors, appointed by the provincial government of British Columbia (the "Province"). The Council is exempt from the payment of income taxes under section 149 of the Income Tax Act.

Under Section 13 of the Act, the directors, officers, and employees of the Council have certain immunities in the exercise of their duties carried out in their connection with the Council.

The Council's mandate is to advance commercialization in British Columbia through focused support to startup companies and facilitation of partnerships between industry and academia.

2. Significant accounting policies:

(a) Basis of accounting and presentation:

These financial statements are prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(b) Cash and cash equivalents:

Cash and cash equivalents include investments with a term to maturity of 90 days or less at the date of acquisition.

(c) Investments:

Investments, which include investments with original terms to maturity of greater than 90 days, are recorded at amortized cost plus accrued interest, which approximates market value. Interest income is recognized in the period earned.

(d) Revenue recognition:

The Council follows the accrual method of accounting for contributions. Unrestricted contributions and government grants are recorded as revenue when received or receivable, if the amounts can be estimated and collection is reasonably assured. Other unrestricted revenue, including sales of services and products, are reported as revenue at the time the services are provided or the goods delivered.

Investment income on unrestricted assets is recognized as revenue when it is earned.

Endowment contributions are recognized as revenue when received. Investment income earned from restricted cash and investments related to the endowment funds are deferred and recognized as revenue when they are spent or disbursed in accordance with the restrictions of the endowment.

2. Significant accounting policies (continued):

(d) Revenue recognition (continued):

Contributions externally restricted for non-capital specific purposes are recorded as deferred revenue and recognized as revenue in the year in which the stipulations are met.

Investment income that is subject to external restrictions is deferred and recognized as revenue in the year in which the related expense is incurred.

(e) Budget figures:

The budget figures presented in these financial statements is based on the 2015 operating budget approved by the Board of Directors on January 15, 2014.

(f) Government transfers:

Transfers from governments with restrictions are deferred and recognized as revenue when they are spent in accordance with the stipulations in the related agreements. Transfers from governments without restrictions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

(g) Financial instruments:

Financial instruments are classified into two categories: fair value or amortized cost:

Investments with fixed maturity dates are recorded at amortized costs. Income on these investments is recognized in the Statement of Operations and Accumulated Surplus over the period of time the investments are held. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are included in the cost of the related investments. Due to the nature of these investments, the carrying amounts approximate fair value.

The carrying amount of other financial instruments such as cash and cash equivalent, and accounts receivables also approximate their fair value due to their short-term maturities.

The Council does not have any financial instruments required or elected to be subsequently recorded at fair value.

(h) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They may have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are initially recorded at cost which includes amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The historical cost, less residual value, of the tangible capital assets is amortized commencing at the time the asset is available for use based on the methods and rates as shown in the schedule below:

2. Significant accounting policies (continued):

(i) Tangible capital assets (continued):

Asset	Amortization
Furniture, fixtures and equipment	20% declining balance
Computer hardware and software	33% declining balance
Leasehold improvements	Straight line over the lesser of the term of the lease and the useful life of the asset

When events or circumstances indicate that a tangible capital asset no longer has any long-term service potential, the net carrying amount is written down to the residual value of the asset. No write-downs were determined to be necessary during the current year.

(j) Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period where the benefits are received.

(k) Expense by function:

The data presented in these financial statements are by expense function. Note 13 provides a breakdown of expenditures by object.

(l) Employee future benefits:

The Council accrues employee vacation entitlements. These accruals are included in accounts payable and accrued liabilities. The Council is a member of the Public Service multi-employer pension plan (note 10). Defined contribution plan accounting is applied to the multi-employer defined benefit plan and, accordingly, contributions are expensed when paid or payable.

(m) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant areas requiring the use of management estimates include the determination of useful lives of tangible capital assets for amortization and the accrual of liabilities. When actual results differ from the estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

3. Investments:

Restricted and unrestricted investments consist of term deposits and guaranteed investment certificates with maturity dates ranging from May of 2015 to Dec of 2018, bearing interest at rates ranging from 1.40% to 2.22%.

Included in unrestricted investments are shares of previous British Columbia Advanced Systems Foundation ("ASI") program participant private corporations received in exchange for all or a portion of loan or royalty interests.

As at March 31, 2015, the Council has assessed these shares of privately-held corporations to have nominal market value. As such, these investments are recorded at a nominal value of $1 each for each company shareholding. The estimated market value of the long-term investments as at March 31, 2015 is $20 (2014 - $20).

4. Tangible capital assets:

Cost	Balance at March 31, 2014	Additions	Disposal	Balance at March 31, 2015
Furniture, fixtures and equipment	$ 155,567	$ 23,817	$ -	$ 179,384
Computer hardware and software	439,373	30,374	-	469,747
Leasehold improvements	27,770	92,799	-	120,569
	$ 622,710	$ 146,990	$ -	$ 769,700

Accumulated Amortization	Balance at March 31, 2014	Amortization	Accumulated amortization of disposals	Balance at March 31, 2015
Furniture, fixtures and equipment	$ 123,564	$ 7,871	$ -	$ 131,435
Computer hardware and software	362,664	30,625	-	393,289
Leasehold improvements	27,770	-	-	27,770
	$ 513,998	$ 38,496	$ -	$ 552,494

	Net book value March 31, 2014	Net book value March 31, 2015
Furniture, fixtures and equipment	$ 32,003	$ 47,949
Computer hardware and software	76,709	76,458
Leasehold improvements	-	92,799
	$ 108,712	$ 217,206

There were no writedowns or reversals of writedowns previously recorded on any tangible capital assets.

5. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2015	2014
Invested in tangible capital assets	$ 217,206	$ 108,712
NRAS Endowment	50,000,000	50,000,000
Unrestricted	6,235,587	6,342,845
	$ 56,452,793	$ 56,451,557

6. Deferred program revenues:

	Balance March 31, 2014	Funds Received	Funds Expended	Funds Returned	Balance March 31, 2015
1. Science and Innovation	$ 2,633,615	$ -	$ 207,000	$ -	$ 2,426,615
Aquaculture & Environment Research	376,024	-	-	-	376,024
Industrial Innovation Scholarship	102,750	-	-	-	102,750
2. Forestry Innovation Scholarship	1,516,055	-	1,516,055	-	-
3. Fellowship Programs	751,084	-	751,084	-	-
4. Mentorship BC	6,540	-	2,690	3,850	-
5. LEEF Student Program	6,238,016	93,578	16,895	-	6,314,699
6. Research Chairs	2,297,459	11,539	2,308,998	-	-
7. International Science and Technology Partnerships	-	606,520	351,084	-	255,436
Total	$ 13,921,543	$ 711,637	$ 5,153,806	$ 3,850	$ 9,475,524

1. BCIC and the Ministry of Agriculture signed a MOU to fund $25,000 to Sumas Regional Consortium for High Tech ("SRCTec") to research and develop a proposal for the delivery of the Venture Acceleration Program ("VAP") to agricultural innovation related entrepreneurs in the Fraser Valley. Another agreement was signed to distribute $844,000 to SRCTec over three years. A total of $207,000 was paid to SRCTec during the year.

2. BCIC paid $1,516,055 to fund the Ministry of Forests, Lands and Natural Resources Initiative Program as directed by the Ministry of Technology, Innovation, and Citizens Services ("MTICS").

3. BCIC paid $751,084 to fund the Ministry of Forests, Lands and Natural Resources Initiative Program as directed by MTICS.

4. The balance of $3,850 from Mentorship BC was returned to the Ministry of Jobs, Tourism and Skills Training after transition costs of $2,690 were incurred.

5. BCIC incurred $16,895 to administer the BC Innovator Skills Initiative.

6. BCIC paid $2,308,998 to the University of Northern British Columbia for the development of the UNBC Tall Wood Building Chair, which included $58,998 of accumulated interest.

7. BCIC received $606,520 through MTICS from the International Science and Technology Partnerships Canada to further BCIC's objectives. During the year $351,084 was used of which $250,000 was paid for a feasibility study.

Funds restricted for future program expenses have been separated and classified as restricted cash & cash equivalents – deferred programs and restricted investments – deferred programs.

7. Natural Resources and Applied Science Research Endowment (NRAS):

In fiscal year 2005/2006, the Council was charged with stewarding an endowment contribution of $50,000,000 from the Ministry of Economic Development. Investment earnings are restricted for the support of training, research and development in natural resources and applied sciences. Restricted cash and investments of $53,359,623 are comprised of the permanently restricted endowment balance of $50,000,000 and unspent interest earnings of $3,359,623.

Deferred revenue from the NRAS endowment balance comprises of the following:

	2015	2014
Accumulated interest, beginning of year	$ 2,426,126	$ 1,460,667
Interest earned net of fees	956,513	975,915
Administration and professional fees	(23,016)	(10,456)
Accumulated interest, end of year	$ 3,359,623	$ 2,426,126

8. Commitments and contingencies:

(a) The Council occupies offices under a long-term lease to January 31, 2020 with option to renew. Minimum annual payments include the Council's utilities and other costs of occupancy.

(b) The Council is committed to lease a photocopier until June 30, 2017 at a quarterly rental of $1,746.

Total estimated lease payments up to the end of the lease terms are as follows:

2016	$ 302,984
2017	304,175
2018	306,084
2019	310,295
2020	258,579

9. Contractual obligations:

The Council has entered into a number of project grant contracts as at March 31, 2015 to provide future funding of research projects to be completed subsequent to the year end. These contractual obligations are funded in installments and payments are due based on conditions included in the contract being satisfied. As such, no liability has been accrued in the financial statements as the Council is not liable for payments until these conditions have been met.

The contractual obligations of the Council as at March 31, 2015 are $6,629,160 (2014 - $1,865,000).

10. Employee future benefits:

The Council and its employees contribute to the Public Service Pension Plan (the "Plan") in accordance with the *Public Sector Pension Plans Act* (the "Act"). The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the Act applies. As the Plan is a multi-employer, defined benefit plan, the Council accounts for its payments on the basis of a defined contribution plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the Plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2011) indicated an unfunded liability of $275 million. The plan covers approximately 53,500 active employees. The next required valuation will be as of March 31, 2015 with results available for the council's 2016 fiscal year.

During the year, the Council paid and expensed $102,122 (2014 - $83,558) for contributions to the Plan.

11. Related parties:

The Council is related through common ownership to all Province of British Columbia ministries, agencies, crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Council received $8,090,000 annual provincial funding from the Ministry of Technology, Innovation and Citizens' Services and received $606,520 from International Science and Technology Partnerships Canada. (note 6).

12. General administration:

General administration expenses of $452,101 were associated with the delivery of programs during the current year (2014 - $435,902).

13. Expenses by object:

The following is a summary of expenses by object:

	2015	2014
Expenses:		
Program expenses and disbursements	$ 11,618,798	$ 6,849,998
Salaries and benefits	1,346,993	1,124,525
Rent	172,574	228,742
Contracted services	97,169	178,951
Office expenses	81,943	83,814
Other costs	99,257	125,472
	13,416,734	8,591,502
Amortization	38,496	33,628
Total expense	$ 13,455,230	$ 8,625,130

Appendix A: Additional Information about BCIC

Organizational Overview

Enabling Legislation
The BC Innovation Council is a Provincial Crown Agency Operating under the *British Columbia Innovation Council Act* (Amended in Bill 15 - 2006).

Mandate
The provincial government has provided the following mandate direction to BCIC under the *British Columbia Innovation Council Act*:

- To advance commercialization of technology in British Columbia through focused support to startup companies and facilitation of partnerships between industry and academia;
- To work with willing partners in industry, academia, government and associations that support entrepreneurship and the development of entrepreneurial talent.

Vision
A strong and rapidly growing innovation economy, creating rewarding careers for British Columbians.

Mission
To strengthen British Columbia's economy by accelerating the growth of BC ventures through the support of entrepreneurs and technology companies.

Values
BCIC's core values guide its operations. They are:

- **Collaboration** – BCIC collaborates with partners to create programs and provide support for initiatives that develop entrepreneurs and promote the commercialization of technology.
- **Results** – We gauge the success of our programs and activities by achieving results that are valued by shareholders and clients. We continually monitor our programs and services with our partners and clients to ensure outcomes clearly fulfill our mandate.
- **Integrity** – BCIC is committed to meeting the highest standard of integrity expected by British Columbians and government alike. This means we follow fair and transparent processes in all our activities.
- **Entrepreneurial** – Just as BCIC promotes an entrepreneurial spirit among those starting ventures in BC, we are committed to operating with the same entrepreneurial spirit. Being a small agency allows BCIC to put creativity and originality at the forefront of our operations.

Corporate Governance

Role and Membership of the Board
The Lieutenant Governor, through Order-in-Council, appoints the members of BCIC's board and delegates the role of the chair. The board chair reports to the British Columbia Legislative Assembly through the Minister of Technology, Innovation and Citizens' Services. The board of directors has five members:

- Derek Lew, Chair
- Robin Ciceri
- Roger Hardy
- Lorraine Larkin
- Cheryl Slusarchuk

Senior Management

- Greg Caws, President & CEO
- Jennie Choboter, Chief Financial Officer
- Shirley Vickers, Entrepreneur-in-Residence
- Dean Prelazzi, Managing Director, BC Acceleration Network
- Lindsay Chan, Director of Communications
- Dawn Wood, Acting Director of Operations
- Tomica Divic, Director of Operations

Contact Information

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Appendix B: Health Score

Calculation of the BCIC Startup Health Score

BCIC has selected elements to consider when evaluating the strength of a startup and assigned weighting based on observed correlation of these particular factors with company viability. A strong score (75+) indicates a venture is on track to progress. A score of 60-74 indicates there may be some delays, but that the venture is still expected to be on track.

The BCIC Startup Health Score is derived from the average score of all ventures in BCIC accelerator programs.

Early stage companies are categorized into five different stages of progress. Factors considered in a startup's health score are different for each stage and weighted depending on stage (see Table 1).

TABLE 1

HEALTH INDICATOR	COMPANY STAGE				
	ID	PV	MV	MP	ME
	Idea	Product Validation	Market Validation	Market Penetration	Market Expansion
	weight	weight	weight	weight	weight
Customer-validated product-market fit	-	25	10	-	-
Customer-validated business model	-	10	15	10	-
Meeting agreed-upon critical milestones	40	20	15	15	15
Has enough cash to meet growth objectives	25	20	10	10	15
Repeat entrepreneur	20	15	5	5	-
Venture's IP is protected (normally by patents)	15	10	5	-	-
Increase in new customers (>25% y/y)	-	-	20	25	25
Increase in revenue (>25% y/y)	-	-	10	15	25
Mix and number of employees	-	-	5	5	10
Positive cash flow status per transaction	-	-	5	10	-
Profitability Status of Company	-	-	-	5	10
Total	100	100	100	100	100
# of Indicators	4	6	10	9	6